

(1 Well)

Bond No. \_\_\_\_\_

**PERFORMANCE BOND**

KNOW ALL MEN BY THESE PRESENTS:

That we, \_\_\_\_\_  
(operator name and address)(hereinafter called the "Principal"), and  
\_\_\_\_\_  
(bonding company name and address)(hereinafter called the "Surety"), are held and firmly bound unto the Louisiana Office of Conservation, State of Louisiana, with its principal office at P.O. Box 94275, Capital Station, Baton Rouge, Louisiana 70804-9275(hereinafter called the "Obligee"), in the penal sum of \_\_\_\_\_(bond amount) lawful money of the United States of America for the payment of which penal sum the Principal and Surety bind themselves, their successors and assigns, jointly, severally and in solido firmly by these presents.

WHEREAS, the Principal has applied(is about to apply) to the Office of Conservation for a Permit to Drill for Minerals for a well named \_\_\_\_\_(well name) located(to be located) at Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_, \_\_\_\_\_ Parish, Louisiana; and

WHEREAS, the Principal has assumed the obligation to plug and abandon the well, remove platforms and pilings, close associated pits, remove facilities, conduct site clearance and verification, conduct site restoration and to restore the surface in accordance with the Leases and/or the Rules, Regulations and Orders promulgated by the Commissioner of Conservation and/or the laws of the State of Louisiana; and

WHEREAS, the Principal and Surety agree that notwithstanding the subsequent termination of any Lease, whether by operation of law or otherwise, this Bond shall remain in full force and effect until all obligations of the Principal under the Leases and/or the Rules, Regulations and Orders promulgated by the Commissioner of Conservation and/or the laws of the State of Louisiana have been truly and faithfully performed and a release and discharge of this Bond shall have been given by the Commissioner of Conservation; and

WHEREAS, the Principal has promised to deliver to the Obligee a Bond substantially in the form hereof; and

WHEREAS, the Surety represents that it is duly authorized by the proper public authorities to transact the business of indemnity and suretyship in the State of Louisiana, and represents that it is qualified to be surety and guarantor on bonds and undertakings, which certificate has not been

revoked; and

WHEREAS, the Surety represents that it has duly executed a power of attorney, appointing the hereinafter named representative as its duly authorized deputy, as the true and lawful attorney-in-fact of such Surety, upon whom may be served all lawful process in any action or proceeding against such Surety in any court or before any officer, arising out of or founded upon this Bond or any liability hereunder; and does hereby agree and consent that such service, when so made, shall be valid service upon it, and that such appointment shall continue in force and effect and be irrevocable so long as any liability against it remains outstanding hereunder; and

NOW THEREFORE, the Principal and Surety agree as follows:

The Surety hereby guarantees the Principal's agreement to plug and abandon the well(s), to remove all platforms, pilings, facilities, pits and to restore the surface pursuant to the Leases, the Rules, Regulations and Orders of the Commissioner of Conservation and/or the laws of the State of Louisiana and to pay all costs and expenses associated therewith in full compliance with the terms of the Leases, the Rules, Regulations and Orders promulgated by the Commissioner of Conservation and/or any and all other state and federal agencies having jurisdiction over such matters and the laws of the State of Louisiana as now written or as they may be hereafter amended.

This Bond shall be automatically renewed annually, subject to the terms and provisions hereof, unless the Surety shall notify the Obligee, in writing by Certified Mail, of its intention to cancel the bond. Such written notice of cancellation shall be given at least one hundred twenty(120) days prior to the proposed cancellation date.

PROVIDED, HOWEVER, whenever the Principal shall present a Plug and Abandon Report with respect to the Subject Well and related Facilities(if any) together with a written statement from the Commissioner of Conservation evidencing that the Subject Well has been satisfactorily plugged, abandoned or removed in accordance with the Rules, Regulations and Orders promulgated by the Commissioner of Conservation and/or the laws of the State of Louisiana and this Bond shall have been released and discharged by the Commissioner of Conservation, then this obligation shall be null and void, otherwise, it shall remain in full force and effect for the full penal amount of the Bond.

PROVIDED, FURTHER THAT, to the extent the Principal and/or the Surety may be liable for any expenses, fees, penalties, damages(either direct, indirect or consequential) in addition to the obligation described above, or to the extent the Obligee may incur any attorneys' fees or court costs or other expenses of litigation in the event of a contest over the Surety's denial of the obligation(or any part thereof), the maximum obligation of the Surety under this Bond shall be the penal sum of \_\_\_\_\_ (dollar amount of the bond), reduced as applicable, as provided for herein.

FURTHERMORE, it is agreed that the Surety shall have no obligation to the Principal for any loss suffered by the Principal by reason of acts or omissions which are or could be covered by the

Principal's general liability insurance, products liability insurance, completed operations insurance or any other insurance. In no event shall the Surety be obligated to pay, in the aggregate, for all claims hereunder, an amount exceeding the penal sum of this Performance Bond.

Whenever the Principal fails, neglects or refuses to carry out its obligation to plug and abandon the Subject Well, remove platforms or restore the surface of the Leases(or Subject Tract related to the Subject Well), or to pay the cost thereof, when and if it is required to do so under the terms of the Leases, and/or Rules, Regulations and Orders of the Commissioner of Conservation and/or the laws of the State of Louisiana and the Obligor has presented to the Surety a written notice of default, sent by Certified Mail, by the Principal of its obligations and such condition has persisted for sixty(60) days following the date of such written notice of default, then the Surety shall within thirty(30) days:

1) Pay to the Obligor an amount equal to the estimated cost of plugging and abandonment and restoration of the surface to be incurred by the Obligor, which payment shall be subject to the penal limit of this Bond; or,

2) Commence the necessary operations to plug and abandon the Subject Well and restore the surface of the site and/or Leases. If the Surety should elect, in the event of default by the Principal, to commence or cause to be commenced the aforementioned plugging and abandonment activity and surface restoration, such operations shall continue until such time as the obligations of the Principal as set forth in the Leases, and/or Rules, Regulations and Orders of the Commissioner of Conservation and/or the laws of the State of Louisiana have been fully satisfied, notwithstanding the penal limit of this Bond.

Provided, however, that in the event of an emergency, deemed by the Commissioner of Conservation as presenting a threat or risk of damage or harm to the environment, the natural resources of the State of Louisiana or the public health and welfare of the general public, and should the Principal fail or refuse to act to correct or alleviate the emergency, then the notice and delay provisions hereof shall be inapplicable and waived by the Surety and the Commissioner of Conservation shall be authorized to take such action as he may deem necessary or expedient to avoid, eliminate or reduce the threat or risk of damage or harm presented by such emergency. All such cost and expense incurred by the Commissioner of Conservation in the exercise of such emergency powers shall be paid and reimbursed under the terms and conditions of this Bond, but the exercise of such emergency powers by the Commissioner of Conservation shall, in no way, affect the total penal limit of this Bond.

Any suit under this Performance Bond must be instituted before the expiration of one(1) year from the date of the occurrence of an event of default, as defined herein. Subject to such one(1) year limitation, the Surety consents and agrees that any legal action against it under this Performance Bond may be brought in the 19<sup>th</sup> Judicial District Court for the Parish of East Baton Rouge, State of Louisiana, hereby irrevocably submitting itself to the jurisdiction and venue of such court.

A "default" shall be the Principal's failure, neglect or refusal to carry out its obligation to plug and abandon the Subject Well, remove platforms or restore the surface of the sites and/or Leases, or to pay the cost thereof, when and if it is required to do so under the terms of the Leases or by Rule, Regulation or Order of the Commissioner of Conservation or by the laws of the State of Louisiana.

No amendment of or supplement to the terms or provisions of any Lease(s) or any assignment and/or release of the Lease(s) thereof by the Principal, its successors or assigns, and no delay, neglect or failure of the Oblige to proceed promptly in the premises in case of any default on the part of the Principal shall in any degree relieve the Principal and the Surety or any of them or their obligations under this Bond.

However, in the event of an assignment of any Lease or the Well or the facilities or any of them by the Principal, the Principal shall cause its assignee to post security with the Commissioner of Conservation, in a form and in an amount acceptable to the Commissioner of Conservation. If and when such security has been accepted by the Commissioner of Conservation, then the Oblige will issue a release of this Bond, within sixty(60) days, in whole or in part, in the event of an assignment of less than all of the Leases, Subject Wells and facilities.

No right of action shall accrue on this Performance Bond to or for the use of any person or corporation other than the Principal, the Oblige, their heirs, executors, administrators or successors.

The Surety shall, no later than the renewal date each and every calendar year, provide the Commissioner of Conservation with an annual financial report or other documents to establish the Surety's financial solvency.

In the event that the Principal shall commence any proceeding under bankruptcy, reorganization, arrangement, insolvency, dissolution or liquidation law of any jurisdiction, then the Surety and/or the Principal shall notify the Commissioner of Conservation. Regardless of the occurrence of the aforementioned conditions, this Bond will remain in full force and effect.

NOW, THEREFORE, if the said Principal shall faithfully observe and honestly comply with the provisions contained herein, then this obligation shall become null and void and of no effect.

The Oblige will issue a release of this Bond within a reasonable time period, but in no instance longer than thirty(30) days after receipt of satisfactory evidence( a report from the proper regulatory authority) of the Principal's full and faithful performance and compliance with the obligation of this Performance Bond.

IN WITNESS WHEREOF, the above bound parties have executed this instrument under their several seals this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, the name and corporate seal of each corporate party being hereto affixed and those presents duly signed by its undersigned representative pursuant to the authority of its governing body.

Witnesses:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
PRINCIPAL (Operator Name)

BY: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Typed Name/Title)

Witnesses:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
SURETY (Bonding Company Name)

BY: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Typed Name/Title)

APPROVED, ACCEPTED AND EXECUTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_,  
20\_\_.

Witnesses:

\_\_\_\_\_  
\_\_\_\_\_

OFFICE OF CONSERVATION  
STATE OF LOUISIANA

BY: \_\_\_\_\_  
COMMISSIONER OF CONSERVATION

FORM: FS-PB  
(5/10/01)